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SERVICE SECTOR INDICATORS

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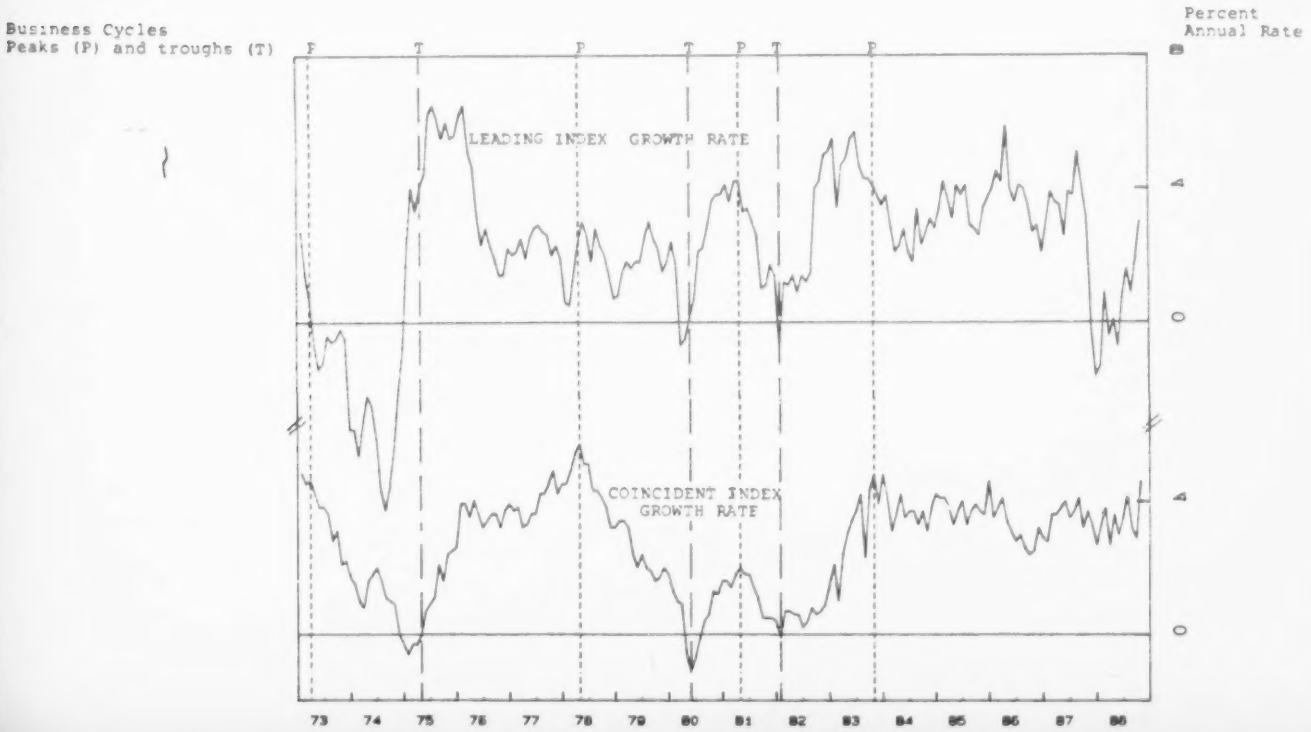
SERVICES GROWTH CONTINUES

The leading index of service sector activity grew at an annual rate of 3.0% in October up from 1.9% in September. Considering the components, the services stock price index displayed good growth (marginally better than that for the overall S&P 500), the average workweek worked in service industries was also up, while contracts for commercial building construction were down. Although unavailable for October, profitability in service industries in September was marginally improved from August.

Personal consumption of services, labor income earned, and total employee hours worked in service industries all turned in strong performances in October. As a result the coincident index for overall service sector economic activity grew at a smoothed annual rate of 4.6%, up from the rather subdued rate of 2.9% in September. This provides some support for the view that the current pace of economic activity may be somewhat faster than that indicated in the revised 3rd quarter GNP result of 2.6%.

Given the recent upswing in the leading index, which has been found to anticipate future services activity by between 6 and 12 months, and the continuing solid performance in the coincident index, service sector economic growth can be expected to remain reasonably firm in the months ahead.



LEADING INDEX OF SERVICES, AND COMPONENTS

	Leading Index (1967=100)	Leading Index Growth Rate (%)	Average Workweek, Services (hours)	Construction Contracts, Commercial Buildings (mil. sq. ft., ann. rate)	S&P Stock Price Index, Services, (Mar. 87=100)	Index of Profit Margins, Services (1982=100)
	1.	2.	3.	4.	5.	6.
1987:						
Jan.	147.3	3.0	32.80	829	93.5	113.3
Feb.	148.4	3.9	32.99	756	97.5	113.5
March	148.6	3.6	32.92	799	100.0	113.2
April	148.9	3.5	32.95	827	95.0	113.9
May	148.5	2.6	32.99	743	93.6	112.8
June	149.9	3.9	32.88	904	100.1	114.3
July	150.3	3.8	32.93	857	101.1	114.5
Aug.	151.7	5.1	33.06	851	107.7	114.9
Sept.	151.4	4.1	33.00	884	103.4	114.8
Oct.	151.1	3.1	32.97	813	92.1	117.1
Nov.	148.9	-0.2	32.96	779	81.8	112.7
Dec.	148.0	-1.6	32.68	890	79.2	111.6
1988:						
Jan.	148.4	-1.3	32.88	716	82.3	110.7
Feb.	150.2	0.9	32.94	948	86.0	111.6
Mar.	149.3	-0.4	32.70	771	87.5	111.9
Apr.	149.8	0.1	33.01	718	85.3	110.2
May	149.2	-0.7	32.80	716	83.0	110.6
June	150.5	0.8	32.82	782	89.2	111.1
July	151.2r	1.6r	33.04	771	88.7	110.4r
Aug.	150.7	0.9	32.72r	820	87.9	111.3r
Sept.	151.4r	1.9r	32.81r	771	91.0	111.5
Oct.	152.3	3.0	32.95	663	94.3	---

COINCIDENT INDEX OF SERVICES, AND COMPONENTS

	Coincident Index	Coincident Index Growth Rate (%)	Services Output, GNP (bil. 1982$, ann. rate)	Services, Personal Consumption Expenditures (bil. 1982$, ann. rate)	Services Labor Income (bil. 1982-84$ ann. rate)	Service Employee Hours (bil., ann. rate)
	7.	8.	9.	10.	11.	12.
1987:						
Jan.	173.1	2.8	1769.9	1213.5	635.935	102.269
Feb.	174.2	3.6	1778.2	1222.1	640.043	103.100
March	174.7	3.6	1784.5	1230.3	640.428	103.256
April	175.3	3.8	1790.9	1232.1	642.172	103.776
May	175.9	4.0	1797.2	1236.3	644.708	104.084
June	176.0	3.5	1800.3	1238.1	643.458	104.339
July	176.7	3.7	1803.5	1245.7	646.298	104.771
Aug.	177.6	4.1	1806.6	1250.7	652.241	105.332
Sept.	177.3	3.2	1811.8	1244.5	649.286	105.391
Oct.	178.3	3.7	1817.1	1256.6	654.064	105.786
Nov.	178.5	3.3	1822.3	1250.2	656.031	106.077
Dec.	178.4	2.7	1826.0	1254.1	653.886	105.794
1988:						
Jan.	179.5	3.3	1829.7	1260.7	660.884	106.641
Feb.	180.5	3.8	1833.4	1268.2	663.790	107.636
Mar.	180.0	2.7	1837.6	1269.0	659.442	107.032
Apr.	181.3	3.6	1841.9	1269.4	669.368	108.109
May	181.2	3.0	1846.1	1272.0	668.072	107.786
June	182.1	3.5	1850.8r	1283.1	668.889	108.546
July	183.3	4.2	1855.6r	1286.0r	676.839	109.713
Aug.	182.9r	3.2r	1860.3r	1293.0r	671.183	108.916r
Sept	183.1r	2.9r	---	1289.5r	673.099r	109.226r
Oct.	185.2	4.6	---	1301.5	683.879	110.245

Note: Cols. 2 and 8. The growth rates are six-month smoothed percent changes at annual rate, based on the ratio of the current month's index to the average for the preceding twelve months. r = revised.

Sources:
3. Bureau of Labor Statistics, Production and non-supervisory workers.
4. McGraw-Hill Company, F.W. Dodge Division. Seasonally adusted by CIBCR.
5. Standard & Poor's Corporation indexes for 13 service industries, compiled by CIBCR.
6. This series is constructed by CIBCR using the deflator for services consumption, labor income, and an experimental monthly services output index developed by the Federal Reserve Board.
9, 10. Department of Commerce, Bureau of Economic Analysis. Quarterly data for output are interpolated by CIBCR.
11. Bureau of Labor Statistics. Payroll index, 1977=100, converted to 1982-84 dollars by CIBCR, using CPI, All Urban Consumers, seasonally adjusted.
12. Bureau of Labor Statistics, all employees.

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